

EXHIBIT 54

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X	:
SERGEY LEONTIEV,	:
	:
Plaintiff,	:
	:
-against-	:
	:
ALEXANDER VARSHAVSKY,	:
	:
Defendant.	:
-----X	:

No. 16-cv-03595 (JSR)

**EXPERT REPORT OF VADIM
VORONIN ON BEHALF OF SERGEY
LEONTIEV**

I. QUALIFICATIONS

1. My name is Vadim Voronin. I have worked in the financial services industry in Russia for nearly 20 years. I have held management positions at several banks including, JP Morgan Bank International ("JPMBI"), Credit Suisse, and Royal Bank of Scotland ("RBS"). In these positions I both created and managed various structured finance products. As a trader with other Russian banks as counterparties, and as a senior manager at several banks in Russia, I also evaluated and analysed the assets, capital ratio, strength of capital positions, creditworthiness and solvency, and their interrelationship with other companies. I hold a diploma in applied mathematics from the Moscow Institute of Physics and Technology. While Russian is my first language, I am fluent in English as well. My professional and academic experience are described in more detail in the resume attached as Appendix 2. My experience in areas directly relevant to the assignment embodied in this report is summarized below.
2. I began my career in 1996 at Eurofinance Bank in Moscow, where I spent approximately one year and I developed the futures trading desk for fixed income and currencies. After Eurofinance Bank, I spent more than 10 years at JPMBI, also in Moscow. There I held the positions of Trader, Senior Trader, Executive Director, Head of Treasury/Markets trading, and, at various times, was entrusted with the responsibility of "Acting President," of JPMBI Moscow in the CEO's absence. My responsibilities included: management of the bank's positions in the fixed income, forex, equities and derivatives portfolios, including control over the assets-liabilities and liquidity ratios of JPMBI Moscow as a local bank. I was also responsible for creating structured products for clients of JPMBI Moscow including, bonds, forex, swaps and equities. I also worked at Credit Suisse in Moscow where I was the Head of the Fixed Income Department for the bank and in that role was responsible for the FX, credit and rates products and management of assets-liabilities and liquidity ratios for the local bank. From July 2011 to September 2015, I was a Managing Director of Royal Bank of Scotland ("RBS") and based in Moscow. In that position, I was the head of CIS Trading responsible for Markets Products (FX, credit and rates) and Treasury, oversaw the control of liquidity and concentration ratios and policies related thereto. I was a member of the RBS ALCO (Asset and Liability Committee). RBS's Moscow subsidiary acted as a centralized Treasury in rubles ("RUB") for the entire RBS Group and managed aggregated risks associated with such financial products. In this role, I was also responsible for working with Russian banking regulators.
3. In 2011, I served as an expert witness in a confidential matter involving a series of foreign exchange derivatives transactions before the International Commercial Arbitration Court under the auspices of the Russian Chamber of Commerce and Industry involving a Cyprus

subsidiary of a large Russian bank. Other than that matter in 2011, I have never previously been retained or testified as an expert.

4. I have no prior or current personal or professional relationship with Alexander Varshavsky, CJSC "New York Motors-Moscow," JSC "Aylon AG," Vermenda Holdings Ltd., Dunning Finance, Inc., Finbay Group Ltd., or Greenex.
5. My article, entitled, "*Up to neck in debt. How to outperform the stock market with bonds*," was published by Russian-published *Forbes* magazine in 2010.
6. I have never previously worked for or otherwise been associated with Sergey Leontiev or Ambika Investments Limited ("Ambika").

II. ASSIGNMENT

7. I have been retained by the law firm of Gibson, Dunn & Crutcher LLP ("Gibson Dunn"), counsel for Sergey Leontiev, in the above-noted matter, to express opinions related to the creation and use of offshore entities by Probusinessbank ("PBB") to accept clients' monies to fund subordinated loans to PBB (or one of its subsidiary banks).
8. I am being compensated at an hourly rate of \$700. No portion of my compensation is dependent on my conclusions, testimony, or the outcome of this matter.

III. INFORMATION CONSIDERED

9. I have reviewed the Complaint and Amended Answer filed in the above-noted matter. I have also reviewed the Audited Financial Statements of PBB from 2013 and from 2014. I also reviewed information and regulations publicly available through the Central Bank of Russia. Specific documents that I relied on are referenced throughout this report. A comprehensive list of documents that I relied on in preparing this report is contained at Appendix 1.

IV. SUMMARY OF OPINION

10. Based on my experience and the documents I have reviewed to date, I conclude that the use of off balance sheet entities to attract investments in the capital structure of a bank was a common business strategy within the Russian banking sector and consistent with the generally accepted business practice of mid-tier Russian banks. The investment by Ambika, an offshore company used by PBB, of 5,457,068,000 rubles (approximately \$82 million) in the subordinated debt of PBB (as reflected in the 2014 audited financial statements of the bank) added to the regulatory capital of PBB and enabled the bank to make additional loans

and conduct other banking transactions. Many other Russian banks had similar subordinated debt in their capital structure as indicated by figures published by the Russian Central Bank and IFRS of Russian banks.

V. BASIS OF OPINIONS

11. The events leading up to and following Lehman Brothers bankruptcy in 2008 caused a liquidity squeeze in the international financial markets. In 2008, funding sources for the majority of mid-tier Russian banks, which, unlike large state-owned banks, had limited or no access to government funding, either were reduced or became inaccessible altogether. (See, for instance, <https://www.ft.com/content/4280c3ce-6c74-11dc-a0cf-0000779fd2ac>).

On September 12, 2014, the United States imposed sanctions on Russia that effectively prohibited medium-term financing, for more than 30 days, for state-owned banks and companies. The sanctions affected the availability of USD funding sources for the rest of the Russian financial and corporate (private) sectors as well. The Central Bank of Russia estimated the total outstanding debt due between September and December 2014 was as much as \$78,153 billion (See external Debt of Russian Federation by Maturity and Financial Instruments, source: CBR

http://www.cbr.ru/eng/statistics/credit_statistics/debt/debt_maturity_e.xlsx).

Minfin evaluated that at least 40% of the external corporate debt is associated with intercompany loans. (Interview of Mr. Siluanov (Minfin) to Bloomberg: <https://www.bloomberg.com/view/articles/2015-02-11/you-say-debt-i-say-tax-dodging>).

12. As a result of these sanctions, corporations were faced with a lack of income in hard currency and banks suffered significant outflows from RUB deposits. Corporations received many margin calls on their foreign exchange derivatives positions. Nevertheless, the Central Bank of Russia slowly reacted to the difficulties with USD liquidity. The Central Bank of Russia made the first increase in the key benchmark RUB interest rate from 8% to 9.50% only on November 4, 2014.

(https://www.cbr.ru/Eng/DKP/print.aspx?file=standart_system/rates_table_14_e.htm&pid=dkp&sid=ITM_7116) Ultimately, the RUB was devalued from 37.29 RUB to the dollar on

September 3, 2014 to 80.00 RUB to the dollar on December 16, 2014.

(<http://moex.com/en/issue/USD000UTSTOM/CETS>).

13. After this shocking devaluation, the Central Bank of Russia was forced to raise its key rate to 17% on December 16, 2014, and placed \$50 billion deposits to banks in a final attempt to calm the panic. Russia's international reserves fell to \$386 billion from \$465 billion in September 2014. (https://www.cbr.ru/eng/hd_base/Default.aspx?Prtd=mrrf_7d).

14. On February 5, 2015, to address the reserve crisis, the government chose to support 27 out of 834 Russian banks through the Deposit Insurance Agency. It is my understanding that PBB was not among the 27 government supported banks.
(<https://www.bloomberg.com/news/articles/2015-02-05/putin-s-new-challenge-propping-up-russia-s-ailing-banks>).
15. This liquidity crisis put significant strains on unsupported mid-size Russian banks' financial models: assets of mid-size banks are generally long-term (e.g., term loans made to clients and customers, investments into industrial or development projects etc.) and have an average life of approximately one to three years. But these assets are funded through short-term liabilities, which may be withdrawn upon demand. The Central Bank of Russia reported that as of January 1, 2015, 39% of Russian banks' liquid assets were invested for longer than 1 year, while only 24.3% of all liabilities had tenors over 1 year.
(http://www.cbr.ru/Eng/analytics/bank_system/obs_eng_1612.pdf, Table 63, page 72).
16. Firms typically invest in their projects, and can afford placing of excess liquidity in short-term deposits only (usually up to 3 months). The retail deposits markets can provide more money with longer maturities (over one year). But in accordance with the Civil Code Article 837
(http://www.consultant.ru/document/cons_doc_LAW_9027/e3f1132036918763f681d1ecf09de85c3f15b13f/), individual term deposits may be cancelled at any time prior to maturity at the request of the person. And the banks are obliged to return the notional value of the deposit, although they may withhold the accrued interest. Therefore, banks, like PBB, looked for longer term funding sources and were prepared to pay a premium for that funding.
17. Many Russian banks, including those I worked with, created new financial products to attract investments from various sources of funds, including private banking clients through high-yielding wealth management financial products. A typical way of attracting alternative funding sources was the creation of offshore entities to attract deposits from a bank's clients. To attract investors, these offshore entities had to offer interest rates significantly higher than the rate payable on Russian bank deposits.
18. Russian banking regulations permitted subordinated loans from offshore entities to be treated as regulatory capital for the borrowing bank. Subordinated loans would typically qualify as so-called Tier 2 capital (although if a subordinated loan meets certain more stringent criteria, it could also be eligible for inclusion into Tier 1 capital). By increasing the banks' regulatory capital (Tier 1 or Tier 2), the subordinated loans allowed the bank to carry on its balance sheet revenue generating assets (the bank's loan book and other investments) in a multiple of the amount of the subordinated debt. The Central Bank of Russia provides statistics for the entire banking system in Russia in accordance with the definitions of Basel III. According to

such statistics, as of January 1, 2015 the Tier 1 (core) capital was RUB 5.718 billion while the total Tier 2 capital (unsecured subordinated loans) amounted to RUB 2.210 billion, 40% of Tier 1 capital. http://www.cbr.ru/Eng/analytics/bank_system/obs_eng_1612.pdf Table 42, page 51.

19. Under the Russian prudential supervision rules, a subordinated loan is eligible for treatment as Tier 2 regulatory capital of a bank if it meets certain criteria set forth in the banking regulations. Among others, such criteria include (i) a minimum 5 year tenor of the instrument (note that the loan may not be voluntarily repaid by the bank prior to its scheduled maturity which may not be less than 5 years; instead, the principal amount of the subordinated loan is subject to a mandatory amortization schedule during the last five years of its tenor), (ii) the loan must contain a subordination clause which provides that the loan ranks below the claims of general unsecured creditors of the bank upon the bank's insolvency (which in reality means that in the event of the bank's insolvency, the subordinated creditor loses the entire amount of the investment), and (iii) the interest rate on the loan may not be materially higher than the market interest rate payable on similar subordinated loans (such interest rates were significantly lower than the rate offered to the clients). (See 3.5 of the Bank of Russia Regulation No. 215-P "On the methodology for determining the own funds (capital) of credit organizations.")
20. But these criteria for subordinated loans were not acceptable to clients seeking investments with a shorter tenor. To overcome investor resistance, mid-tier banks used offshore entities to borrow money from clients on terms that clients would accept and then those offshore entities lent money to the banks on terms that allowed the loans to be characterized as regulatory capital. Statistics from the Central Bank of Russia (http://www.cbr.ru/Eng/statistics/credit_statistics/CDIS/CDIS_Inw_14_e.xlsx) show that direct investors from Cyprus invested \$101 billion in Russia in 2014 (out of a total foreign investment in Russia of \$285 billion).
21. PBB was a mid-tier Russian bank that operated from 1993 until it was seized by Russian regulators in August 2015.

It is my understanding that Ambika, an entity incorporated in the Republic of Cyprus, was used to generate regulatory capital for PBB. The 2014 audited financial statements of PBB show that as of December 31, 2014, Ambika had invested \$82 million in subordinated debt of PBB at interest rates between 6.40% and 13.50%. This is not inconsistent with the examples of other subordinated loans issued to other mid-sized Russian banks between 2012 and 2014. (See

http://www.psbank.ru/~media/Files/Bank/Investors/IFRS/IFRS_eng_2014_12.ashx
<https://ir.open.ru/storage/files/Annualreportfor2014.pdf>
https://www.bspb.ru/en/investors/financial-statements/IFRS/IFRS-FY-2014_eng.pdf

https://alfabank.ru/f/1/about/annual_report/msfo/msfo14.pdf
http://www.vbank.ru/f/2/investors/financial_reports/ifrs_audited_2/2014_Results_IFRS_eng_9428.pdf
http://www.rosbank.ru/files/about/disclosure/2015/RBG_IFRS_Cons_FS_14-e.pdf).

22. PBB's use of subordinated loans to increase its capital allowed the bank to increase its income from its core banking activities—a business practice that was also pursued by banks with which I worked and is both known and generally accepted by Russian banking regulators.
23. PBB's offering of investments in offshore entities at an interest rate of 12-15% is consistent with the level of interest rates I would expect to see, and did see, from offshore entities that were generally available to investors doing business with mid-size Russian banks during the post-2008 timeframe.

VI. CONCLUSION

This report discusses the opinions I have formed to date. My opinions and the basis for them as discussed above may be amended and or supplemented based upon information that subsequently comes to my attention.

Dated: December 16, 2016
Moscow, Russia

By: _____

Vadim Voronin

APPENDIX 1: DOCUMENTS CONSIDERED

1. Complaint, *Leontiev v. Varshavsky*, No. 1:16-cv-03595 (JSR) (S.D.N.Y.) (May 13, 2016)
2. Amended Answer, *Leontiev v. Varshavsky*, No. 1:16-cv-03595 (JSR) (S.D.N.Y.) (Aug. 26, 2016)
3. Probusiness Bank 2013 Audited Financial Statements
4. Probusiness Bank 2014 Audited Financial Statements
5. Central Bank of Russia, External Debt Composition for the period December 2013-June 2016, http://www.cbr.ru/eng/statistics/credit_statistics/debt/debt_maturity_e.xlsx.
6. Central Bank of Russia, Macroeconomic Financial Statistics: External Sector, <http://www.cbr.ru/Eng/statistics/?PrtId=svs>.
7. Central Bank of Russia, Coordinated Direct Investments Survey, http://www.cbr.ru/Eng/statistics/credit_statistics/CDIS/CDIS_Inw_14_e.xlsx.
8. Leonid Bershidksy, *You Say Debt, I Say Tax Dodging*, BLOOMBERG, Feb. 11, 2015, <https://www.bloomberg.com/view/articles/2015-02-11/you-say-debt-i-say-tax-dodging>.
9. Central Bank of Russia, Review of the Banking Sector of the Russian Federation, Dec. 2016 (Tables 4, 12, 42, 63), http://www.cbr.ru/Eng/analytics/bank_system/obs_eng_1612.pdf.
10. Jason Corcoran, *Putin's New Challenge: Propping Up Russia's Ailing Banks*, BLOOMBERG, Feb. 6, <https://www.bloomberg.com/news/articles/2015-02-05/putin-s-new-challenge-propping-up-russia-s-ailing-banks>.
11. The World Bank in Russia, Russian Economic Report No. 18 (2009), <http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/rer18eng.pdf>.
12. Civil Code, Article 837, http://www.consultant.ru/document/cons_doc_LAW_9027/e3f1132036918763f681d1ecf09de85c3f15b13f/.
13. Regulation No. 215-P, "On the methodology for determining the own funds (capital) of credit organizations", <http://base.garant.ru/12130229/#ixzz4StYPrU9S>.
14. Russian Government Statistics agency provides the structure of Foreign Investments: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/investment/foreign/#

15. Financial Times, <https://www.ft.com/content/4280c3ce-6c74-11dc-a0cf-0000779fd2ac>.
16. Central Bank of Russia, 2014 Interest Rates on the Bank of Russia Operations, https://www.cbr.ru/Eng/DKP/print.aspx?file=standart_system/rates_table_14_e.htm&pid=dkp&sid=ITM_7116.
17. Moscow Exchange, Instruments and Trading Hours Graph, <http://moex.com/en/issue/USD000UTSTOM/CETS>.
18. Central Business Bank, International Reserves of the Russian Federation for the period Nov. 2016-Dec. 2016, https://www.cbr.ru/eng/hd_base/Default.aspx?Prtd=mrrf_7d.
19. Promsvyazbank 2014 Consolidated Financial Statements, http://www.psbank.ru/~media/Files/Bank/Investors/IFRS/IFRS_eng_2014_12.ashx.
20. Otkritie, 2014 Annual Report, <https://ir.open.ru/storage/files/Annualreportfor2014.pdf>.
21. Bank Saint Petersburg Group 2014 Consolidated Financial Statements and Auditors' Report, https://www.bspb.ru/en/investors/financial-statements/IFRS/IFRS-FY-2014_eng.pdf.
22. Alfabank 2014 Financial Statements, https://alfabank.ru/f/1/about/annual_report/msfo/msfo14.pdf.
23. Bank Vozrozhdenie 2014 Consolidated Financial Statements and Auditors' Report, http://www.vbank.ru/f/2/investors/financial_reports/ifrs_audited_2/2014_Results_IFRS_eng_9428.pdf.
24. Rosbank Group 2014 Consolidated Financial Statements, http://www.rosbank.ru/files/about/disclosure/2015/RBG_IFRS_Cons_FS_14-e.pdf.
25. SL0000046-SL0000064
26. AVPE0000015
27. SL0001764-SL0001765
28. SL0000069-SL0000070
29. SL0001758
30. SL0001756-SL0001757

31. SL0000071-SL0000072

32. SL0000065

33. SL0000030-SL0000039

34. SL0000042-SL0000045

35. SL0000066

36. AVPE0000497

37. SL0000068

38. AVPE000103-AVPE000104

39. AVPE000174-AVPE000175

APPENDIX 2:**VADIM VORONIN**

Nationality Russian, '73
Marital Status Married, two children
Location Moscow
Contacts +7 985 727 88 24, vadim.voronin@inbox.ru

EDUCATION

1990 - 1996 **Moscow Institute of Physics and Technology, Moscow**
 Diploma in Applied Mathematics

SKILLS

Languages Russian, English (fluent)

BUSINESS EXPERIENCE

Jul 11 – Sep 15 **RBS, Moscow**

Head of CIS Trading, Managing Director

Responsible for RUB and KZT markets products in the group (FX, Rates, Depo, and derivatives); in accordance with the mandate of the ALM, managed Assets/Liabilities (ALCO) including the control of liquidity and concentration ratios, development and implementation of FTP, TLP and other policies. Moscow acted as a centralized Treasury in RUB for the entire RBS Group and managed aggregated risks associated with RUB products.

Main achievements: RBS Moscow was one of the most profitable international banks operating in Russia (ROE 50% as of 9m'15).

Prior to the adoption of strategic decisions to exit the many markets in Dec '14 and Feb '15, RBS was among the main active market makers for RUB products for global and local clients of the group for almost 24 hours.

It would have been impossible without a high level of automation. Completion of the automation project for the Front desk (it took 1.5 years) allowed us to control aggregated risks and liquidity flows from one desk. We optimized the business processes, and minimized the probability of human mistakes in the management of the bank. This enabled the effective control of several legal entities liquidity position, market risk and online control of P&L in one place. There were no Golden rules breaches in the last 3 years. I actively participated in various market forums as well as consulting meetings with the regulator. The aggregated position under the management was up to gbp 1,500bln.

Dec 09 – May 10 **Credit Suisse, Moscow**

Senior Trader, Director, Head of FID

Managed positions in Credit and Rates with the focus on Credit. After rearrangement of the management team in the head office, I focused on FX products: FX flow, NDFs, XCCY, options, dual currency depots, etc. I was responsible for the management of assets-liabilities, liquidity ratios, etc of the local bank (as the head of the Treasury). The total position under the management was up to \$500mln.

May 97 – Dec 08 **JP MORGAN BANK INTERNATIONAL, Moscow**

Trader, Senior Trader, Executive Director, Head of Treasury/Markets trading

Responsibilities: management of bank's positions in the fixed income, forex, equities and derivatives portfolios. Control over the assets-liabilities and liquidity ratios of the local bank. Market making for client products (bonds, forex, swaps and equities). The aggregated position under the control was up to \$1bn.

Actively participated in the IPO of Sberbank in the status of Acting President of the JPMBI Moscow. Usually the bank confidently entrusted the responsibility of the Acting President of the local bank in cases of CEO absence.

Managed a portfolio of pilot CDOs in RUB Fixed income market, structured notes and TRS (funded and unfunded). IB teams (DCM and ECM) often invited me as an expert from the market side (taken over the Chinese wall) in different projects. My career began in Chase Manhattan (JPMorgan Bank) on the position of fixed income trader.

Mar 96 – May 97 EUROFINANCE BANK, Moscow
Sales Trader

Trader of fixed income portfolio. As a sales-trader was covering the key Bank's clients: Chase Manhattan Bank, Merrill Lynch, ING and others. Developed futures trading desk for fixed income and currencies.